

# COPY

COMMONWEALTH OF KENTUCKY  
FRANKLIN CIRCUIT COURT  
FRANKFORT, KENTUCKY  
DIVISION I  
CIVIL ACTION NO. 04-CI-00335

**ENTERED**  
JUN 14 2006  
FRANKLIN CIRCUIT CLERK  
*Sally J. ...* CLERK

DEPARTMENT OF FINANCIAL INSTITUTIONS

PETITIONER

vs.

ORDER OF CONTEMPT

BASIN OIL & GAS CORPORATION  
MATRIX PETROLEUM INC., and  
THOMAS R. WATKINS

RESPONDENTS

\* \* \* \* \*

This matters comes before the court on the motions of the Petitioner, now known as the Office of Financial Institutions, claiming that the Respondents have violated previous orders herein dated May 10, 2004, and August 16, 2004, by continuing to sell interests in oil and gas programs to or from Kentucky and upon the motion of the Respondents asking the Court to clarify the period of time for which the Respondents were ordered to cease and desist from engaging in the business of selling interests in oil and gas wells to or from Kentucky.

The Respondent Thomas R. Watkins was not present at the hearing and it being represented that he was in a car wreck involving the crushing of his feet but was expected to attend.

The court being sufficiently advised after hearing the testimony of Steve Justice, witness for the Petitioner, who testified that he worked for the Respondents in January, February, and March of 2005 in Kentucky and disclosed to the

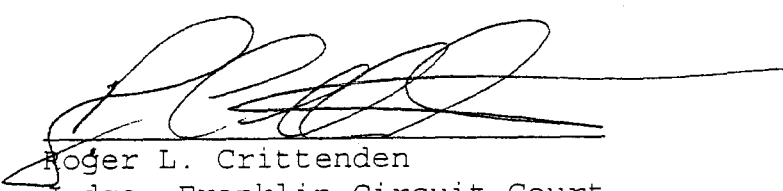
Court his personal knowledge that the Respondents Basin Oil and Gas Corporation and/or Matrix Petroleum, Inc. engaged in the oil and gas securities sales business; after hearing testimony from Chad Harlan that no oil and gas programs have been registered or notice filed with the Petitioner since May of 2004 nor have any sales agents been registered; after hearing arguments and receipt of documents presented to the court without testimony but made a part of this record from Hunter Durham, counsel for Respondents, and Aubrey R. Mooney, counsel for Petitioner;

The Court ruled that whether programs or sales agents were registered with the Petitioner or, for that matter, whether the Respondents were in compliance with all laws and regulations pertaining to the sale of interests in oil and gas exploration programs were not a part of the original order. The Court determined that the Respondents continued to attempt to sell interest in oil and gas programs during the early months of 2005, from the Commonwealth of Kentucky in violation of this Court's Order dated August 16, 2004. The Court further finds that the August 16, 2004 Order of this Court denied each of the Respondents any authority to engage in the business of selling securities to or from the Commonwealth of Kentucky for an indefinite period. Finally, it is found that each of the Respondents is in contempt of the aforesaid August 16, 2004 Order.

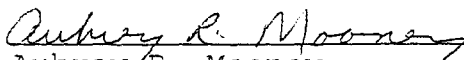
IT IS ORDERED that the Respondents may purge themselves of this contempt by paying a fine of Twenty Thousand Dollars (\$20,000.00) to the Commonwealth of Kentucky within thirty (30) days of the entry of this Order. Said payment should be made to the order of the Kentucky State Treasurer by may be mailed to the Office of Financial Institutions. Further, to purge themselves of this finding of contempt the Respondents, corporately and individually, shall cease and desist from engaging in the business of offering or selling interest in oil and gas exploration programs or any other security to or from the Commonwealth of Kentucky until the Court lifts its order to be permitted to again engage in this business, the Respondents, or any one of them, must obtain prior written approval from this Court after giving the adequate notice to the Petitioner that such approval will be sought. Failure to the fine or to abide by the terms of the cease and desist as ordered aforesaid, may result further contempt findings.

This is a final and applicable order.


Signed this the 18 day of June, 2006.

  
Roger L. Crittenden  
Judge, Franklin Circuit Court

ORDER PREPARED BY:

  
Aubrey R. Mooney  
Counsel for the Petitioner  
Office of Financial Institutions

HAVE SEEN:

  
Hunter Durham  
Counsel for Respondents  
Basin Oil & Gas Corporation  
Matrix Petroleum, Inc.  
Thomas R. Watkins